

SANATORIUM BOARD OF MANITOBA

Financial Statements

March 31, 2015



June 15, 2015

INDEPENDENT AUDITORS' REPORT

To the Chair and Members of Sanatorium Board of Manitoba:

We have audited the accompanying financial statements of the Sanatorium Board of Manitoba, which comprise the statement of financial position as at March 31, 2015, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Board derives revenue from the general public in the form of donations and fundraising initiatives, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, assets or net assets.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Sanatorium Board of Manitoba as at March 31, 2015, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants

SANATORIUM BOARD OF MANITOBA
Statement of Financial Position

March 31, 2015

	2015			2014		
	General Fund	Research Fund	Capital Fund	Total	Total	
ASSETS						
CURRENT						
Cash and short-term investments (Note 3)	\$ 44,973	\$ -	\$ -	\$ 44,973	\$ 105,080	
Accounts receivable (Note 4)	57,438	1,507	38	58,983	53,504	
Due from General Fund	-	288,585	160			
Prepaid expenses and supplies	21,467	-	-	21,467	28,294	
	123,878	290,092	198	125,423	186,878	
INVESTMENTS (Note 5)	-	443,546	1,112	444,658	438,955	
ASSETS HELD FOR SALE (Note 6)	155,520	-	-	155,520	155,520	
EQUIPMENT (Note 7)	9,714	-	-	9,714	15,358	
	\$ 289,112	\$ 733,638	\$ 1,310	\$ 735,315	\$ 796,711	
LIABILITIES AND NET ASSETS (DEFICIT)						
CURRENT						
Due to Broker (Note 9)	-	\$ 175,621	-	\$ 175,621	-	
Accounts payable and accrued charges (Note 10)	269,611	-	-	269,611	250,658	
Deferred revenue	45,893	-	-	45,893	41,596	
Due to Research Fund	288,745	-	-			
	604,249	175,621	-	491,125	292,254	
NET ASSETS (DEFICIT)						
Unrestricted (deficit)	(315,137)	-	-	(315,137)	(84,129)	
Externally restricted	-	558,017	-	558,017	587,333	
Internally restricted	-	-	1,310	1,310	1,253	
	(315,137)	558,017	1,310	244,190	504,457	
	\$ 289,112	\$ 733,638	\$ 1,310	\$ 735,315	\$ 796,711	

APPROVED BY THE BOARD:

Director

Director

SANATORIUM BOARD OF MANITOBA

Statement of Operations

Year Ended March 31, 2015

	2015			2014		
	General Fund	Research Fund	Capital Fund	Total	Total	
REVENUES						
Fundraising						
Christmas Seals	\$ 173,254	\$ -	\$ -	\$ 173,254	\$ 205,373	
Research and Spring Appeal	88,306	-	-	88,306	109,640	
Corporate, employee and other	399,096	-	-	399,096	371,770	
Health Partners	4,370	-	-	4,370	8,049	
Memorial donations	44,037	-	-	44,037	27,042	
Molly Hirschburg Research Fund	1,720	-	-	1,720	-	
	710,783	-	-	710,783	721,874	
Tuberculosis contracted services	55,427	-	-	55,427	56,469	
Occupational health surveys	136,001	-	-	136,001	267,520	
Health initiatives and other recoveries	186,973	-	-	186,973	283,473	
Interest income	-	9,042	-	9,042	-	
Unrealized gain in fair value of investments	-	4,768	16	4,784	20,701	
Investment income	-	20,304	41	20,345	24,604	
	1,089,184	34,114	57	1,123,355	1,374,641	
	1,376,440	63,430	-	1,439,870	1,672,417	
EXPENDITURES (Schedule 1)						
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR BEFORE REQUESTS	(287,256)	(29,316)	57	(316,515)	(297,776)	
REQUESTS	56,248	-	-	56,248	223,407	
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	\$ (231,008)	\$ (29,316)	\$ 57	\$ (260,267)	\$ (74,369)	

SANATORIUM BOARD OF MANITOBA

Statement of Changes in Net Assets

Year Ended March 31, 2015

	2015			2014	
	General Fund	Research Fund	Capital Fund	Total	Total
BALANCE - BEGINNING OF THE YEAR	\$ (84,129)	\$ 587,333	\$ 1,253	\$ 504,457	\$ 578,826
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	(231,008)	(29,316)	57	(260,267)	(74,369)
BALANCE - END OF THE YEAR	\$ (315,137)	\$ 558,017	\$ 1,310	\$ 244,190	\$ 504,457

SANATORIUM BOARD OF MANITOBA

Statement of Cash Flows

Year Ended March 31, 2015

	2015				2014
	General Fund	Research Fund	Capital Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
(Deficiency) excess of revenues over expenditures for the year	\$ 5,643	\$ -	\$ -	\$ 5,643	\$ 25,932
Items not affecting cash and short-term deposits					
Depreciation	-	(4,768)	(16)	(4,784)	(20,701)
Unrealized gain in fair value of investments	(225,365)	(34,084)	41	(259,408)	(69,138)
Changes in non-cash working capital items					
Decrease (increase) in accounts receivable	(5,542)	92	(29)	(5,479)	32,170
Decrease in prepaid expenses and supplies	6,827	-	-	6,827	80,409
Increase (decrease) in accounts payable	18,950	-	-	18,950	(27,824)
Increase (decrease) in deferred revenue	4,297	-	-	4,297	(72,146)
	24,532	92	(29)	24,595	(56,529)
CASH FLOWS FROM INVESTING ACTIVITIES					
(Purchase) of property, plant and equipment (net of proceeds from disposals)	-	-	-	-	(11,557)
	-	-	-	-	(11,557)
CASH FLOW FROM FINANCING ACTIVITIES					
Advances from broker	-	174,706	-	174,706	-
	-	174,706	-	174,706	-
INTERFUND TRANSFER					
(DECREASE) IN CASH AND SHORT-TERM DEPOSITS DURING THE YEAR	172,774	(172,615)	(159)	-	-
CASH AND SHORT-TERM DEPOSITS - BEGINNING OF THE YEAR	(28,059)	(31,901)	(147)	(60,107)	(68,086)
CASH AND SHORT-TERM DEPOSITS - END OF THE YEAR	73,032	31,901	147	105,080	173,166
	\$ 44,973	\$ -	\$ -	\$ 44,973	\$ 105,080

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2015

1. NATURE OF ACTIVITIES

The Sanatorium Board of Manitoba (the "Board") is a registered charity incorporated in the Province of Manitoba under The Sanatorium Board of Manitoba Act. It is exempt from income tax.

The Manitoba Lung Association is the operating unit of the Sanatorium Board of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund Accounting

The Board has established the following funds.

General fund

The General Fund accounts are for the ongoing operating activities of the Board.

Research fund

Revenues and expenses related to research activities are reported in the Research Fund. A significant portion of the expenses relate to grants and fellowships. Restricted funds have been restricted by donors and are to be used for research and education in the prevention and management of various lung diseases.

Capital fund

The capital fund was originally established to receive gifts in excess of \$5,000. It was substantially transferred to the General Fund disbursed during the year ending March 31, 2014 and the proceeds were used for operations. The proceeds from the future sale of the land and building will be transferred to this fund. At that time, the Board will establish policies for this fund.

Equipment

Equipment is stated at cost. Amortization is provided using the following methods and rates:

	<u>Basis</u>	<u>Rates</u>
Furniture and equipment	Straight-line	10 years
X-ray and lung function equipment	Straight-line	5 years
Computer equipment	Straight-line	5 years

(continues)

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest in joint venture

The Board accounts for its interest in a joint venture using the proportionate consolidation method. The Board's financial statement includes its pro rata share of the joint venture's assets, liabilities, revenues, expenses, changes in equity and cash flows from operating, investing and financing activities.

Revenue recognition

The Board follows the deferral method of accounting for revenue which includes donations and government grants. Unrestricted donations and grants are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are incurred or the restrictions are met. Interest and investment income are recorded as revenue when earned.

Allocation of expenses

The Board provides several programs as part of their initiative to improve respiratory health. The costs of each program include amounts directly related to providing the program. The Board also incurs general support expenses that are common to the administration of the Board and each of its programs.

The Board allocates an allowance for general support expenses to individual projects proportionately based on sponsorship revenues expected to be received in this program.

Financial instruments

The Board initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and liabilities at cost, except for investments in shares of publicly traded companies and government and corporate bonds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets subsequently measured at cost include cash and short-term investments, and accounts receivable. Financial liabilities subsequently measured at cost include amounts due to broker, accounts payable and accrued liabilities and deferred revenue.

Unless otherwise stated in these financial statements, it is management's opinion that the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets available for benefits during the year.

Significant areas requiring the use of management estimates relate to estimated useful life of the equipment and accrued liabilities. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2015

3 CASH AND SHORT-TERM INVESTMENTS

	2015	2014
Cash on deposit	\$ 8,564	\$ 30,015
RESPTrec® cash on deposit	36,409	42,998
Funds on deposit with CIBC Wood Gundy	-	32,067
	<u>\$ 44,973</u>	<u>\$ 105,080</u>

4. ACCOUNTS RECEIVABLE

	2015	2014
Province of Manitoba	\$ 6,485	\$ 6,441
Government of Canada		
Tuberculosis contracted services	2,433	4,940
G.S.T. rebate	5,046	5,950
Other	45,019	36,173
	<u>\$ 58,983</u>	<u>\$ 53,504</u>

5. INVESTMENTS

	2015	2014
Investment in shares of publicly traded companies	\$ 284,853	\$ 281,148
Government and corporate bonds, 4.25% to 6.5%, maturing December 2016 to December 2018	159,805	157,807
	<u>\$ 444,658</u>	<u>\$ 438,955</u>

6. ASSETS HELD FOR SALE

In March 2013, the Board of Directors approved a motion to pursue the disposal of the Board's land and building on McDermot Avenue. Accordingly, the Board has ceased to amortize the building and the land and building have been reclassified as assets held for sale. At March 31, 2015, the carrying value of the land was \$ 32,270 and the carrying value of the building is \$123,250.

In January 2015, the Board signed an offer to purchase with a third party. The change in ownership of the property will occur on August 31, 2015. Proceeds of the sale are anticipated to be \$1,400,000.

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2015

7. EQUIPMENT

	2015			2014
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 120,033	\$ 118,823	\$ 1,210	\$ 2,017
X-ray and lung function equipment	43,307	43,307	-	-
Computer equipment	76,306	67,802	8,504	13,341
	\$ 239,646	\$ 229,932	\$ 9,714	\$ 15,358

Amortization of equipment included in the schedule of expenditures amounts to \$5,643 (2014 - \$25,932).

8. EQUITY IN RESPTrec®, A JOINT VENTURE

The Sanatorium Board of Manitoba and the Lung Association of Saskatchewan have entered into a joint venture to develop and deliver an asthma education program for health care professionals. All assets, liabilities, revenues and expenses of the joint venture are to be shared equally and jointly. The Board has proportionately consolidated in these financial statements the following aggregate amounts which represent its 50% share of the joint venture interest:

	2015	2014
Assets	\$ 36,699	\$ 43,259
Liabilities	13,815	14,866
Revenues	7,288	3,700
Expenditures	12,797	4,333
(Deficiency) of revenues over expenditures	(5,509)	(633)
Cash (used in) provided by operating activities	\$ (6,588)	\$ 1,168

9. DUE TO BROKER

The Board has a margined investment account with CIBC Wood Gundy which allows it to borrow against the value of its investments held with them. The margin account bears interest at 3.6% and is secured by its investments held with CIBC Wood Gundy that have a carrying value of \$444,658.

SANATORIUM BOARD OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2015

10. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2015	2014
Canadian Lung Association	\$ 4,170	\$ 4,774
Salaries, wages and benefits	43,383	66,283
Pre-retirement benefit (<i>Note 11</i>)	44,000	44,000
Suppliers	178,058	135,601
	<u>\$ 269,611</u>	<u>\$ 250,658</u>

11. PRE-RETIREMENT BENEFIT

Employees who had attained ten years of service prior to 2007 and have reached the age of 55 are entitled to a pre-retirement benefit when they retire. The amount of the benefit is based on their years of service and level of compensation.

Based on management's best estimate, the future liability for this pre-retirement benefit is \$44,000.

12. PENSION PLAN

The Sanatorium Board of Manitoba is a participating employer in the Healthcare Employees Pension Plan – Manitoba, a multi-employer pension plan. The most recent actuarial valuation prepared as at December 31, 2013 by AON Hewitt, the Plan's actuary, reported a deficiency of the actuarial value of net assets over the actuarial present value of accrued pension benefits in the amount of \$203,558,000, as well as a solvency deficiency of \$1,097,114,000.

13. RESIDUARY INTERESTS

The Board has a residuary interest in various estates or trusts which continue to be administered by executors and trustees, and for which no values have been recorded in these financial statements.

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

SANATORIUM BOARD OF MANITOBA

Schedule 1

Schedule of Expenditures

Year Ended March 31, 2015

	2015	2014
GENERAL FUND		
Fundraising	\$ 460,358	\$ 487,673
Tuberculosis contracted services	52,647	50,525
Occupational health surveys	156,518	221,610
Health initiatives	285,531	409,000
Westman expense	16,347	17,900
National programs	4,169	34,827
Administrative support	400,870	375,784
	1,376,440	1,597,319
RESEARCH FUND		
Administrative support	-	32,000
Canadian Institute of Health Research	30,000	7,500
Canadian Lung Association Research	12,095	22,456
CIBC Wood Gundy investment fee	4,578	3,217
Grant - McDonald award	-	1,000
Grant - Manitoba Health Research Council	8,925	8,925
Legal fees	3,311	-
Margin account interest expense	4,521	-
	63,430	75,098
	\$ 1,439,870	\$ 1,672,417